

**CHARLEVOIX COUNTY, MICHIGAN**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Charlevoix County</b>		County <b>Charlevoix</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>9/7/05</b>	Date Accountant Report Submitted to State: <b>10/31/05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

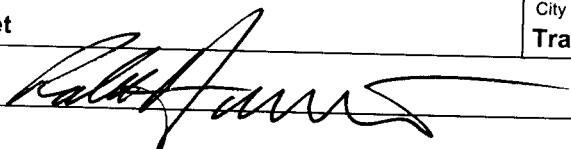
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Harris Group, Certified Public Accountants</b>			
Street Address <b>1107 E. 8th Street</b>		City <b>Traverse City</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49686</b>	Date <b>10/31/05</b>

# TABLE OF CONTENTS

	<u>Page</u>
Organization	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheets – Governmental Funds	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Funds	14
Statements of Revenues, Expenditures and Changes in Fund balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statements of Cash Flows - Proprietary Funds	19-20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22-50
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	51
Commission on Aging Fund	52
Revenue Reserve Sharing Fund	53
Supplementary Data Section:	
Combined Balance Sheet – Nonmajor Governmental Funds	54
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Fund	55

## TABLE OF CONTENTS - Continued

### Supplementary Data Section (continued):

Combined Balance Sheet – Nonmajor Special Revenue Funds	56-59
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Fund	60-63
Combined Balance Sheet – Nonmajor Capital Projects Funds	64
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Fund	65
Combining Statement of Changes in Assets and Liabilities – Trust and Agency Funds	66-67
Schedule of Bonded Debt Service Requirements - 2001 Debt	68
Schedule of Bonded Debt Service Requirements – 2003 Debt	69
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71
Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	72-73
Schedule of Expenditures of Federal Awards	74-75
Notes to the Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77

**INTRODUCTORY SECTION**

**CHARLEVOIX COUNTY, MICHIGAN  
ORGANIZATION  
DECEMBER 31, 2004**

BOARD OF COMMISSIONERS

Victor Patrick  
Chairman

W. Randolph Frykberg  
Vice-Chairman

Ronald Reinhardt

Valerie Snyder

Dennis Jason

Shirley J. Roloff

COUNTY ELECTED OFFICIALS

Marilyn Cousineau  
Treasurer

Jane E. Brannon  
Clerk/Fiscal Off.

Lawrence Feindt  
Surveyor

Charlene M. Novotny  
Register of Deeds

JoAnne Beemon  
Drain Commissioner

George T. Lasater  
Sheriff

Mary Beth Kur  
Prosecuting Attorney

COUNTY JUDGES

Frederick Mulhauser  
Probate Judge

Richard M. Pajtas  
Circuit Judge

Richard W. May  
District Judge

**FINANCIAL SECTION**



# HARRIS GROUP

Certified Public Accountants

## Independent Auditor's Report

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charlevoix County, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component-unit financial statements of the County Road Commission, the Northwest Michigan Community Health Agency (Special Revenue Funds), which statements reflect total assets, total net assets and total revenues constituting 31 percent, 39 percent and 42 percent, respectively, of the basic financial statements, or Grandvue Medical Care Facility (Enterprise Fund) which statements reflect total assets, total net assets and revenues constituting 21 percent, 24 percent and 18 percent, respectively, of the basic financial statements. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the County Road Commission, Northwest Michigan Community Health Agency, and the Grandvue Medical Care Facility are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

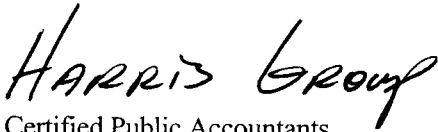
In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005 on our consideration of Charlevoix County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charlevoix County, Michigan  
Independent Auditor's Report  
Page Two

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charlevoix County, Michigan's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants  
September 7, 2005

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

---

This section of Charlevoix County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2004.

**Financial Highlights**

- The County's financial status improved. Total net assets increased 8.15% over the prior year.
- Phase 2 construction of Grandvue Medical Care Facility was completed during the year. The General Government transferred \$1,590,239 of the cost of the project to Grandvue Medical Care Facility.
- Total revenues for the primary government exceeded expenditures by \$2,597,606. Primarily due to the creation of the Revenue Sharing Reserve fund which recorded tax revenues of \$2,318,056 to be used to fund general fund operations for the next 10 years.
- The County's tax based increase 6.79% to \$1,482,800,955.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Charlevoix County's basic financial statements. Charlevoix County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Charlevoix County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Charlevoix County's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Charlevoix County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of Charlevoix County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Charlevoix County include general government, public safety, health and welfare, recreation and culture and other services. The business-type activities of Charlevoix County include public and regional transportation, commissary inmate trust and purchasing of delinquent taxes.

The government-wide financial statements include not only Charlevoix County itself (known as the primary government), but also the legally separate Road Commission, Grandvue Medical Facility and Northwestern Michigan Community Health Agency, for which Charlevoix County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Charlevoix County

Management's Discussion and Analysis

December 31, 2004

---

- **Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlevoix County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Charlevoix County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments' near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- Charlevoix County maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, Commission on Aging fund, Revenue Sharing Reserve Fund and Debt Service fund, each of which are considered to be major funds. Data from the other 32 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- Charlevoix County adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for the general and special revenue funds to demonstrate compliance with this budget.

- **Proprietary funds.** Charlevoix County maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Charlevoix County uses enterprise funds to account for its Commissary Inmate Trust, Delinquent tax Revolving fund, Public Transit fund and its Regional Transportation fund.

- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise funds, all of which are considered to be major funds of Charlevoix County.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Charlevoix County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Charlevoix County, assets exceeded liabilities by \$19,084,894 as of December 31, 2004.

A large portion of Charlevoix County's net assets is its investment in capital assets, less any debt to acquire those assets that is still outstanding. Charlevoix County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although Charlevoix County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CHARLEVOIX COUNTY**  
**NET ASSETS**  
**DECEMBER 31, 2004 AND 2003**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 16,550,284	\$ 6,263,920	\$ 22,814,204	\$ 15,136,849	\$ 6,076,364	\$ 21,213,213
Capital assets	11,151,230	827,914	11,979,144	11,514,191	672,726	12,186,917
Total assets	<u>\$ 27,701,514</u>	<u>\$ 7,091,834</u>	<u>\$ 34,793,348</u>	<u>\$ 26,651,040</u>	<u>\$ 6,749,090</u>	<u>\$ 33,400,130</u>
Long-term liabilities outstanding	\$ 7,077,064	\$	\$ 7,077,064	\$ 7,253,837	\$	\$ 7,253,837
Other liabilities	8,515,053	116,337	8,631,390	8,366,647	132,823	8,499,470
Total liabilities	<u>15,592,117</u>	<u>116,337</u>	<u>15,708,454</u>	<u>15,620,484</u>	<u>132,823</u>	<u>15,753,307</u>
Net assets:						
Contributed capital					482,706	482,706
Invested in capital assets, net of related debt	3,759,166	827,914	4,587,080	3,958,916		3,958,916
Restricted				1,572,637		1,572,637
Unrestricted	<u>8,350,231</u>	<u>6,147,583</u>	<u>14,497,814</u>	<u>5,499,003</u>	<u>6,133,561</u>	<u>11,632,564</u>
Total net assets	<u>12,109,397</u>	<u>6,975,497</u>	<u>19,084,894</u>	<u>11,030,556</u>	<u>6,616,267</u>	<u>17,646,823</u>
Total liabilities and net assets	<u>\$ 27,701,514</u>	<u>\$ 7,091,834</u>	<u>\$ 34,793,348</u>	<u>\$ 26,651,040</u>	<u>\$ 6,749,090</u>	<u>\$ 33,400,130</u>

The County's net assets increased by \$2,631,222 during the year. The County also transferred \$1,590,239 to Grandvue Medical Care Facility for costs related to Phase two of construction.

**Charlevoix County  
Management's Discussion and Analysis  
December 31, 2004**

**CHARLEVOIX COUNTY  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 3,091,696	\$ 437,709	\$ 3,529,405	\$ 2,651,474	\$ 126,634	\$ 2,778,108
Operating grants and contributions	2,823,114	661,638	3,484,752	2,345,484	539,573	2,885,057
Capital grants and contributions	6,330		6,330	87,553		87,553
General revenues:						
Property taxes	10,488,167	342,999	10,831,166	7,610,389	328,247	7,938,636
State shared revenues	611,034		611,034	643,508		643,508
Investment earnings	160,879	54,674	215,553	189,407	346,797	536,204
Miscellaneous revenues	60,626	3,228	63,854	225,147	31,352	256,499
Total revenues	<u>17,241,846</u>	<u>1,500,248</u>	<u>18,742,094</u>	<u>13,752,962</u>	<u>1,372,603</u>	<u>15,125,565</u>
Expenses:						
Governmental activities:						
Legislative	235,479		235,479	227,475		227,475
Judicial	1,809,108		1,809,108	1,569,627		1,569,627
General government	2,562,004		2,562,004	2,581,668		2,581,668
Public safety	4,047,460		4,047,460	2,551,264		2,551,264
Health and welfare	1,007,895		1,007,895	1,687,184		1,687,184
Recreation and culture	97,431		97,431	75,687		75,687
Other	4,379,203		4,379,203	3,725,771		3,725,771
Interest on long-term debt	310,220		310,220	314,388		314,388
Commissary inmate trust		12,153	12,153			
Public transit fund		1,375,479	1,375,479		21,276	21,276
Total expenses	<u>14,448,800</u>	<u>1,387,632</u>	<u>15,836,432</u>	<u>12,733,064</u>	<u>1,176,306</u>	<u>13,909,370</u>
Increase in net assets before transfers	<u>2,793,046</u>	<u>112,616</u>	<u>2,905,662</u>	<u>1,019,898</u>	<u>196,297</u>	<u>1,216,195</u>
Transfers in (out)	<u>(195,440)</u>	<u>(79,000)</u>	<u>(274,440)</u>	<u>1,318,153</u>	<u>(372,140)</u>	<u>946,013</u>
Increase (decrease) in net assets	2,597,606	33,616	2,631,222	2,338,051	(175,843)	2,162,208
Depreciation charged against contributed capital		156,737	156,737		123,137	123,137
Equity transfer to GMCF	(1,518,765)		(1,518,765)	(6,045,158)		(6,045,158)
Net assets, beginning	<u>11,030,556</u>	<u>6,785,144</u>	<u>17,815,700</u>	<u>14,737,663</u>	<u>6,186,267</u>	<u>20,923,930</u>
Net assets, ending	<u>\$ 12,109,397</u>	<u>\$ 6,975,497</u>	<u>\$ 19,084,894</u>	<u>\$ 11,030,556</u>	<u>\$ 6,133,561</u>	<u>\$ 17,164,117</u>

The County worked hard at controlling expenditures due to the decrease of State Revenue Sharing. Property tax revenue increased 36.4% due to the creation of the Revenue Sharing Reserve fund and taxable values increasing by 6.79%. Personnel expenses represent approximately 85% of the expenditures. Costs for Health insurance increased 19% and the required contribution to the retirement system increased by 2.5%.

**Charlevoix County  
Management's Discussion and Analysis  
December 31, 2004**

---

**Financial Analysis of the Government's Funds**

As noted earlier, Charlevoix County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

**Governmental funds.** The focus of Charlevoix County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Charlevoix County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, Charlevoix County's governmental funds reported combined ending fund balances of \$8,709,939. Approximately three-quarters of this total constitutes unreserved fund balance, which is available for spending at Charlevoix County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Charlevoix County. As of December 31, 2004, unreserved fund balance of the general fund was \$2,754,497. As a measure of liquidity, it may be useful to compare the unreserved fund balance to the total fund expenditures. Unreserved fund balance represents 27.5 percent of the total general fund expenditures. In other words, the general fund could operate with in new revenues for approximately four months.

The fund balance of Charlevoix County's general fund decreased by \$214,771 during the current fiscal year. Key factors in this growth are as follows:

- Property tax values increased 6.79% over the prior year, resulting in an increase of \$480,000.
- Expenditures for health insurance, liability insurance and retirement were significantly increased from 2003.
- Expenses for the Jail were \$100,000 higher than in 2003.

**Proprietary funds.** Charlevoix County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2004 were \$6,323,914. With a majority of the net assets in the Delinquent Tax Revolving Fund, \$5,441,748.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Increase in Public Safety budget due to the Jail being over populated with inmates from other counties.
- Many departments had upgrades in technology.
- Certain departments were amended to match grants received during the year.

**Charlevoix County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

**Capital Asset and Debt Administration**

**Capital assets.** Charlevoix County's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$11,151,230 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction continued on the Grandvue Medical Care Facility expansion. Construction in progress at December 31, 2004 reached \$8,961,025. During 2004, the County transferred costs of completed phases to Grandvue Medical Care Facility in the amount of \$1,590,239, total transferred to date is \$7,635,397.
- Construction started on a drinking water tank located in the Village of Boyne Falls. Costs through December 31, 2004 for this project were \$553,097.
- The County continued the \$500,000 project to digitize most of the county records to allow access via the internet.

**CHARLEVOIX COUNTY**  
**CAPITAL ASSETS (net of accumulated depreciation)**  
**DECEMBER 31, 2004**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and Land improvements	\$ 511,538	\$	\$ 511,538	\$ 525,469	\$	\$ 525,469
Buildings and improvements	6,983,894	253,464	7,237,358	7,242,881	286,251	7,529,132
Machinery and equipment	1,242,429	574,450	1,816,879	916,240	386,475	1,302,715
Construction in progress	2,413,369		2,413,369	2,820,746		2,820,746
	<u>\$ 11,151,230</u>	<u>\$ 827,914</u>	<u>\$ 11,979,144</u>	<u>\$ 11,505,336</u>	<u>\$ 672,726</u>	<u>\$ 12,178,062</u>

**Long-term debt.** At December 31, 2004, Charlevoix County had total bonded debt outstanding of \$7,392,064.

**CHARLEVOIX COUNTY**  
**OUTSTANDING DEBT**  
**DECEMBER 31, 2004**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation	\$ 6,850,000	\$	\$ 6,850,000	\$ 7,100,000	\$	\$ 7,100,000
Water Supply System Bonds	542,064		542,064	403,837		403,837
	<u>\$ 7,392,064</u>	<u>\$</u>	<u>\$ 7,392,064</u>	<u>\$ 7,503,837</u>	<u>\$</u>	<u>\$ 7,503,837</u>

Charlevoix County's total debt decreased by \$111,773 during the year ended December 31, 2004. The key factor was receiving \$153,227 loan for the construction of the Village of Boyne Falls drinking water storage well. And paying \$250,000 of principal on the general obligation bond.

**Charlevoix County  
Management's Discussion and Analysis  
December 31, 2004**

---

**Economic Factors and Next Years Budgets and Rates**

- State of Michigan revenue sharing will be reduced as a result of State budget issues.
- The cost of health insurance continues to be a growing concern, estimates are that increases in the fiscal year will be approximately 15%.
- A decrease in the payment in lieu of taxes is also expected.

All of these factors were considered in preparing Charlevoix County's budget for the 2005 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of Charlevoix County's finances for all those with an interest in the government's finances. Questions concerning any of the financial information should be address to the County Clerk, 203 Antrim St., Charlvoix, MI 49720.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
<b>ASSETS</b>						
Cash						
Cash Investments	\$ 4,276,774	\$ 2,739,505	\$ 7,016,279	\$ 774,491	\$ 556,288	\$ 648,157
Receivables:	2,615,637	2,412,170	5,027,807			
Taxes						
Accounts	8,922,600	850,895	9,773,495			
Interest	1,502	9,420	10,922			1,149,003
Due from State	98,391	2,949	101,340	3,222	736,836	802,925
Due from Federal government	121,459	198,566	320,025			
Due from other government units	198,802		198,802	685,503		
Due from other funds	41,158	16,086	57,244			
Inventory of supplies	96,794		96,794	48,106	1,375,578	
Prepaid expenses		29,473	29,473			
Assets limited to use	132,167	4,856	137,023	508,514	34,938	
Amount to be provided for						2,773
Accounts payable						1,580,647
Capital assets ( net of accumulated depreciation)	45,000		45,000			
Land and land improvements						
Buildings and improvements	511,538		511,538	1,751,099		
Machinery and equipment	6,983,894	253,464	7,237,358			
Other capital assets	1,242,429	574,450	1,816,879			9,922,361
Construction in progress					240,720	614,724
	<u>2,413,369</u>		<u>2,413,369</u>	<u>15,108,536</u>		<u>51,137</u>
<b>TOTAL ASSETS</b>	<u>\$ 27,701,514</u>	<u>\$ 7,091,834</u>	<u>\$ 34,793,348</u>	<u>\$ 18,879,471</u>	<u>\$ 2,944,360</u>	<u>\$ 14,771,727</u>

The accompanying notes are an integral part of these statements.

LIABILITIES & NET ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
CURRENT LIABILITIES:						
Accounts payable	\$ 949,990	\$ 26,744	\$ 976,734	\$ 45,309	\$ 207,765	\$ 109,579
Current portion of bonds and interest payable	315,000		315,000			
Accrued liabilities	288,359	10,886	299,245	24,750	379,212	233,235
Accrued sick and vacation payable	308,270		308,270		415,583	229,872
Due to State		50,445	50,445			
Due to other governmental units	3,090		3,090			606,740
Other liabilities	800	28,262	29,062			59,338
Patient trust monies						18,123
Advances from other funds				117,632		
Advances from other governmental units	45,000		45,000			
Deferred revenues	6,604,544		6,604,544		143,480	1,176,745
TOTAL CURRENT LIABILITIES	8,515,053	116,337	8,631,390	187,691	1,146,040	2,433,632
LONG-TERM LIABILITIES						
Bonds payable, less current portion	7,077,064		7,077,064	43,063		
TOTAL LIABILITIES	15,592,117	116,337	15,708,454	230,754	1,146,040	2,433,632
NET ASSETS:						
Invested in capital assets, net of related debt	3,759,166	827,914	4,587,080	16,859,635	240,720	10,588,222
Net Assets:						
Restriected for primary				1,407,824		
Unreserved	8,350,231	6,147,583	14,497,814	381,258	1,557,600	1,749,873
TOTAL NET ASSETS	12,109,397	6,975,497	19,084,894	18,648,717	1,798,320	12,338,095
TOTAL LIABILITIES & NET ASSETS	\$ 27,701,514	\$ 7,091,834	\$ 34,793,348	\$ 18,879,471	\$ 2,944,360	\$ 14,771,727

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Legislative	\$ 235,479	\$	\$	\$
Judicial	1,809,108	597,604	1,315,286	
General Government	2,562,004	916,064	28,760	1,081
Public Safety	4,047,460	1,066,053	711,941	5,249
Health and Welfare	1,007,895	266,480	463,324	
Recreation and culture	97,431	29,881		
Other	4,379,203	215,614	303,803	
Interest on long term debt	310,220			
Total governmental activities	14,448,800	3,091,696	2,823,114	6,330
Business-type activities:				
Commissary inmate trust	12,153			
Delinquent tax revolving		323,041		
Public Transit	1,375,479	114,668	661,638	
Regional Transportation				
Total business-type activities	1,387,632	437,709	661,638	
Total primary government	\$ 15,836,432	\$ 3,529,405	\$ 3,484,752	\$ 6,330
Component units:				
Road Commission	4,497,998		6,022,761	
Northwest Michigan Community Health Agency	12,630,592	7,903,231	4,244,597	
Grandvue Medical Care Facility	8,917,242	7,007,618		
Total component units	\$ 26,045,832	\$ 14,910,849	\$ 10,267,358	\$

**General Revenues:**

Property Taxes – general purposes  
Property Taxes – debt purposes  
State Shared Revenue  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous revenues  
Loss on disposal of fixed assets  
Transfers  
Total general revenues and transfers

Change in net assets

Equity transfer and depreciation added to retained earnings  
Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Road Commission	Northwest Michigan Comm Health Agency	Grandvue Medical Care Facility
\$ (235,479)	\$	\$ (235,479)	\$	\$	\$
103,782		103,782			
(1,616,099)		(1,616,099)			
(2,264,217)		(2,264,217)			
(278,091)		(278,091)			
(67,550)		(67,550)			
(3,859,786)		(3,859,786)			
(310,220)		(310,220)			
(8,527,660)		(8,527,660)			
	(12,153)	(12,153)			
	323,041	323,041			
	(599,173)	(599,173)			
	(288,285)	(288,285)			
\$ (8,527,660)	\$ (288,285)	\$ (8,815,945)			
			1,524,763	(482,764)	(1,909,624)
			\$ 1,524,763	\$ (482,764)	\$ (1,909,624)
9,697,600	342,999	10,040,599			1,068,081
790,567		790,567			13,954
611,034		611,034			36,040
160,879	54,674	215,553		785,583	
60,626	3,228	63,854		119,770	(190,639)
(195,440)	(79,000)	(274,440)			
11,125,266	321,901	11,447,167		909,353	927,436
2,597,606	33,616	2,631,222	1,524,763	426,589	(982,188)
(1,518,765)	156,737	(1,362,028)			1,590,239
11,030,556	6,785,144	17,815,700	17,123,954	1,371,731	11,730,044
\$ 12,109,397	\$ 6,975,497	\$ 19,084,894	\$ 18,648,717	\$ 1,798,320	\$ 12,338,095

**CHARLEVOIX COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

ASSETS	Revenue					Total Governmental Funds
	General	Commission On Aging	Sharing Reserve	Debt Service	Other Governmental Funds	
Cash	\$ 269,678	\$ 1,032,221	\$	\$ 597,795	\$ 2,377,080	\$ 4,276,774
Cash Investments	2,104,750	510,887				2,615,637
Receivables:						
Taxes	6,604,544		2,318,056			8,922,600
Accounts	584	918				1,502
Interest	98,391					98,391
Due from State	166				121,293	121,459
Due from Federal government	186,639	12,163				198,802
Due from other government units	40,935				223	41,158
Due from other funds	329,573				103,840	433,413
Prepaid expenses	125,270				6,897	132,167
Amount to be provided for accounts payable					45,000	45,000
<b>TOTAL ASSETS</b>	<b>\$ 9,760,530</b>	<b>\$ 1,556,189</b>	<b>\$ 2,318,056</b>	<b>\$ 597,795</b>	<b>\$ 2,654,333</b>	<b>\$ 16,886,903</b>

LIABILITIES & FUND EQUITY						
LIABILITIES:	General	Commission On Aging	Revenue Sharing Reserve	Debt Service	Other Governmental Funds	Total Governmental Funds
Accounts payable	\$ 170,961	\$	\$			
Accrued liabilities	220,392				\$ 779,029	\$ 949,990
Due to other funds	7,046	32,512	297,061		16,529	236,921
Due to other governmental units	3,090					336,619
Other liabilities					800	3,090
Advances from other governmental units					45,000	800
Deferred revenues	6,604,544					45,000
						6,604,544
<b>TOTAL LIABILITIES</b>	<b>7,006,033</b>	<b>32,512</b>	<b>297,061</b>		<b>841,358</b>	<b>8,176,964</b>
<b>FUND EQUITY:</b>						
Fund balances:						
Reserved for debt service				597,795		597,795
Reserved for future expenditures					632,616	632,616
Reserved for capital outlay					1,180,359	7,479,528
Unreserved	2,754,497	1,523,677	2,020,995			
	2,754,497	1,523,677	2,020,995	597,795	1,812,975	8,709,939
<b>TOTAL FUND EQUITY</b>	<b>2,754,497</b>	<b>1,523,677</b>	<b>2,020,995</b>	<b>597,795</b>	<b>1,812,975</b>	<b>8,709,939</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 9,760,530</b>	<b>\$ 1,556,189</b>	<b>\$ 2,318,056</b>	<b>\$ 597,795</b>	<b>\$ 2,654,333</b>	<b>\$ 16,886,903</b>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2004**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Total Governmental Fund Balances	\$ 8,709,939
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets, net of accumulated depreciation	8,737,861
Construction work in progress:	
Grandvue construction	1,860,272
Village of Boyne Falls water project	553,097
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds – accrued sick and vacation payable	(308,270)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable – Grandvue Project	(6,850,000)
Bonds payable – Village of Boyne Falls water project	(542,064)
Interest payable	(51,438)
Net Assets of Governmental Activities	<u>\$ 12,109,397</u>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Commission On Aging	Revenue Sharing Reserve	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Taxes	\$ 6,620,764	\$ 551,999	\$ 2,318,056	\$ 790,567	\$ 206,781	\$ 10,488,167
Licenses and permits	67,024				667,078	734,102
Federal grants	566,379	87,987			28,618	682,984
State grants	1,153,222	55,777			996,353	2,205,352
Contributions from local units	1,081					1,081
Charges for services	1,786,320	158,934			275,970	2,221,224
Fines and forfeits	6,448				5,407	11,855
Interest and rents	95,129	24,756		6,961	34,033	160,879
Other	40,592	5,600			690,010	736,202
<b>TOTAL REVENUES</b>	<b>10,336,959</b>	<b>885,053</b>	<b>2,318,056</b>	<b>797,528</b>	<b>2,904,250</b>	<b>17,241,846</b>
<b>EXPENDITURES:</b>						
Current:						
Legislative	235,479					235,479
Judicial	1,257,387				560,142	1,817,529
General government	2,090,099				454,336	2,544,435
Public safety	2,497,020				1,351,919	3,848,939
Health and welfare	125,334	495,311			387,250	1,007,895
Recreation & cultural					94,803	94,803
Other	3,809,171		297,061		1,730,760	5,836,992
Principal and interest				553,000	22,220	575,220
<b>TOTAL EXPENDITURES</b>	<b>10,014,490</b>	<b>495,311</b>	<b>297,061</b>	<b>553,000</b>	<b>4,601,430</b>	<b>15,961,292</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<b>322,469</b>	<b>389,742</b>	<b>2,020,995</b>	<b>244,528</b>	<b>(1,697,180)</b>	<b>1,280,554</b>

	General	Commission On Aging	Revenue Sharing Reserve	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):						
Operating transfers in					341,800	341,800
Operating transfers (out)	(537,240)					(537,240)
Bond proceeds					153,227	153,227
TOTAL OTHER FINANCING SOURCES (USES)	(537,240)				495,027	(42,213)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(214,771)	389,742	2,020,995	244,528	(1,202,153)	1,238,341
EQUITY TRANSFER					71,474	71,474
FUND BALANCE, beginning	2,969,268	1,133,935		353,267	2,943,654	7,400,124
FUND BALANCE, ending	\$ 2,754,497	\$ 1,523,677	\$ 2,020,995	\$ 597,795	\$ 1,812,975	\$ 8,709,939

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Net change in fund balance – total governmental funds	\$ 1,238,341
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	630,188
Expenditures for construction recorded as a capital expense	1,174,007
Depreciation recorded as an expense	(576,917)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	20,214
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Bond proceeds received	(153,227)
Bond principal payments made	265,000
Change in net assets of governmental activities	\$ 2,597,606

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2004**

ASSETS	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	** Regional Transportation	Total (Memorandum Only)
Cash	\$ 86,941	\$ 2,181,739	\$ 470,825	\$	\$ 2,739,505
Investments		2,412,170			2,412,170
Receivables:					
Taxes		850,895			850,895
Accounts			9,420		9,420
Interest			2,949		2,949
Due from State			198,566		198,566
Due from other govt units				16,086	16,086
Inventories			29,473		29,473
Prepaid expenses			4,856		4,856
Buildings & improvements			656,373		656,373
Machinery & equipment			1,277,932		1,277,932
Accumulated depreciation			(1,106,391)		(1,106,391)
<b>TOTAL ASSETS</b>	<b>\$ 86,941</b>	<b>\$ 5,444,804</b>	<b>\$ 1,544,003</b>	<b>\$ 16,086</b>	<b>\$ 7,091,834</b>
<b>LIABILITIES &amp; FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$	\$	\$ 10,658	\$	\$ 10,658
Checks written in excess of deposits				16,086	16,086
Accrued expenses		2,871	8,015		10,886
Due to State			50,445		50,445
Other liabilities		185	28,077		28,262
<b>TOTAL LIABILITIES</b>		<b>3,056</b>	<b>97,195</b>	<b>16,086</b>	<b>116,337</b>
Fund Equity:					
Contributed capital			651,583		651,583
Retained earnings:					
Unreserved	86,941	5,441,748	795,225		6,323,914
<b>TOTAL FUND EQUITY</b>	<b>86,941</b>	<b>5,441,748</b>	<b>1,446,808</b>		<b>6,975,497</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 86,941</b>	<b>\$ 5,444,804</b>	<b>\$ 1,544,003</b>	<b>\$ 16,086</b>	<b>\$ 7,091,834</b>

\* September 30, 2004 year end

\*\* March 31, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	** Regional Transportation	Total (Memorandum Only)
OPERATING REVENUES:					
Charges for services	\$	\$	\$ 114,668	\$	\$ 114,668
Interest and penalties on taxes		307,450			307,450
Other revenue		15,591			15,591
<b>TOTAL OPERATING REVENUES</b>		<b>323,041</b>	<b>114,668</b>		<b>437,709</b>
OPERATING EXPENSES:					
Personal services			921,773		921,773
Other	12,153		256,058		268,211
Depreciation			197,648		197,648
<b>TOTAL OPERATING EXPENSES</b>	<b>12,153</b>		<b>1,375,479</b>		<b>1,387,632</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(12,153)</b>	<b>323,041</b>	<b>(1,260,811)</b>		<b>(949,923)</b>
NON-OPERATING REVENUES (EXPENSES):					
Taxes					
State Grants			342,999		342,999
Operating grants – federal			502,786		502,786
Interest and rents	1,154		158,852		158,852
Other		40,801	12,719		54,674
Transfers (out)		(79,000)	3,228		3,228
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>1,154</b>	<b>(38,199)</b>	<b>1,020,584</b>		<b>983,539</b>
<b>NET INCOME (LOSS)</b>	<b>(10,999)</b>	<b>284,842</b>	<b>(240,227)</b>		<b>33,616</b>
RETAINED EARNINGS, beginning	97,940	5,156,906	878,715		6,133,561
Depreciation charged to Contributed Capital			156,737		156,737
<b>RETAINED EARNINGS, ending</b>	<b>\$ 86,941</b>	<b>\$ 5,441,748</b>	<b>\$ 795,225</b>	<b>\$</b>	<b>\$ 6,323,914</b>

\* September 30, 2004 year end

\*\*March 31, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	** Regional Transportation	Total (Memorandum Only)
Cash Flow From Operating Activities:					
Cash received from customers	\$	\$ 445,392	\$ 111,085	\$	\$ 556,477
Cash paid to suppliers & employees	(14,797)		(1,191,015)		(1,205,812)
Net Cash Provided By (Used In) Operating Activities	(14,797)	445,392	(1,079,930)		(649,335)
Cash Flows From Non-capital Financing Activities:					
Local tax levy received			342,999		342,999
State of Michigan			1,590		1,590
Operating grants received			649,901		649,901
Transfer out		(79,000)			(79,000)
Net Cash Provided By Noncapital Financing Activities		(79,000)	994,490		915,490
Cash Flows From Capital And Related Financing Activities:					
Acquisition of capital assets			(352,867)		(352,867)
Proceeds from sale of fixed assets			1,669		1,669
Capital grants received			325,614		325,614
Net Cash Provided By (Used In) Capital And Related Financing Activities			(25,584)		(25,584)
Cash Flows From Investing Activities:					
Interest on investments	1,154	40,801	10,251		52,206
Decrease in long term CD's		1,157,561			1,157,561
Net Cash Flows Provide by (used) by Investing Activities	1,154	1,198,362	10,251		1,209,767
NET INCREASE IN CASH	(13,643)	1,564,754	(100,773)		1,450,338
CASH, beginning	100,584	616,985	571,598		1,289,167
CASH, ending	\$ 86,941	\$ 2,181,739	\$ 470,825	\$	\$ 2,739,505

\* September 30, 2004 year end

\*\*March 31, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(Continued)**

	Commissary Inmate trust	Delinquent Tax Revolving	* Public Transit	** Regional Transportation	Total (Memorandum Only)
Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities:					
Net operating income (loss)	\$ (12,153)	\$ 323,041	\$ (1,260,811)	\$	\$ (949,923)
Adjustments To Reconcile Net Operating Income (Loss) To Net Cash Provided By Operating Activities:					
Depreciation			197,648		197,648
(Increase) decrease in:					
Receivables		122,166	(3,583)		118,583
Due from other funds					
Inventories			1,241		1,241
Prepaid expenses			(41)		(41)
Increase (decrease) in:					
Accounts payable	(2,644)		4,218		1,574
Due to other funds					
Accrued liabilities			(11,287)		(11,287)
Accrued sick and vacation pay		185	(7,315)		(7,130)
Total adjustments	(2,644)	122,351	180,881		300,588
Net Cash Provided By (Used In) Operating Activities	\$ (14,797)	\$ 445,392	\$ (1,079,930)	\$	\$ (649,335)

\* September 30, 2004 year end

\*\* March 31, 2005 year end

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2004**

<u>ASSETS</u>	<u>Trust and Agency Fund</u>	<u>Auxiliary and Library Trust Fund</u>	<u>District Court Trust Fund</u>
Cash	\$ 757,599	\$ 87,953	\$ 32,490
Investments	1,000,000		
<b>TOTAL ASSETS</b>	<b><u>\$ 1,757,599</u></b>	<b><u>\$ 87,953</u></b>	<b><u>\$ 32,490</u></b>
 <u>LIABILITIES</u>			
Accounts payable	\$ 1,416	\$	\$
Due to other funds	101,892		
Due to State	376,614		
Due to other government units:			
Due to cities	807		
Due to library	(120)		
Due to schools	314,841		
Due to townships	120		
Due to Federal government	91,062		
Other liabilities	870,967	87,953	32,490
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,757,599</u></b>	<b><u>\$ 87,953</u></b>	<b><u>\$ 32,490</u></b>

The accompanying notes are an integral part of these statements.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charlevoix County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant accounting policies used by the County.

**A. Reporting Entity**

The County of Charlevoix was established April 1, 1840 and officially organized in 1869. The County covers an area of approximately 414 square miles with the County seat located in the City of Charlevoix. The County operates under an elected Board of Commissioners (6 members) and provides services to its more than 26,090 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. As required by generally accepted accounting principles, these financial statements present Charlevoix County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Several Special Revenue Funds of the County prepare their financial statements and report their financial activities consistent with the State of Michigan fiscal year ending September 30th. These financial statements include the Housing Program, Commission on Aging, Child Care/Child Care Sub Account, Recovery High, Juvenile Justice/Delinquency Prevention and Community Corrections Funds. The Public Transit Fund (an Enterprise Fund) also has a September 30th year end. The Regional Transportation Fund (an Enterprise Fund) has a March 31st year end.

Discretely Presented Component Units

The component unit columns in the financial statements included the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County. The governing bodies of both these units have Board members appointed by the County Board.

1. The County Road Commission consists of three Board members, all appointed by the County Board. The County Treasurer also has control over the Road Commission cash.
2. The Northwest Michigan Community Health Agency is a Michigan municipal body and an agency of Antrim, Charlevoix, Emmet and Otsego Counties created, under Act 368, Public Acts of 1978, to provide certain public health services to area residents. Two of the Board members consist of County Commissioners appointed by the County Board. Also, the facilities are located in Charlevoix County and the Health Agency cash is controlled by the County Treasurer.
3. The Grandvue Medical Care Facility is a nonprofit, 93 bed, long-term care facility owned and operated by Charlevoix County. It is governed by the Charlevoix County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan Governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

The education services provided to County citizens through several local school districts are separate governmental entities. This report does not include the financial statements of those school districts.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *commission on aging fund* operates for the assistance of the county's elderly.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The *Revenue Sharing reserve fund* was created as a funding vehicle by the State of Michigan to defer State revenue Sharing payments. This will collect property taxes over the next three years and systematically be used to fund the general operations of the general fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The *Commissary inmate trust* accounts for the revenue and expenses of operating the commissary at the county jail.

The *delinquent tax revolving fund* accounts for the property taxes purchased from the townships located within the county. This fund collects the taxes and penalties and interest on the delinquent tax.

The *public transit fund* accounts for the operation of the public transportation system.

The *regional transportation fund* accounts for the operation of the four county regional public transportation system. This operation has been terminated, and is in the process of collecting receivables from other counties for their respective share of the costs.

Additionally, the government reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has not elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the governments enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Assets, liabilities, net assets or equity**

**1. Deposits and investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Michigan Compiled Laws, Section 129.91, authorizes Charlevoix County to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for enterprise funds, are shown net of an allowance for uncollectibles.

**3. Inventories and prepaid items**

Prepaid items consist of insurance and other items purchased during the current fiscal period and benefit a future fiscal period.

Inventories are accounted for as follows:

County Road Commission

Inventories, which consist of road materials and equipment supplies, are valued at cost (first-in/first-out, and average cost). Costs are recorded as assets when purchased, and charged to expense when used.

Public Transit

Inventories of replacement parts and fuel are valued at the lower of cost or market. Office supplies are not included in inventories.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Assets, liabilities, net assets or equity**

**4. Capital Assets and Depreciation**

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value to the asset or materially extend assets lives are not capitalized.

The County Road Commission computes depreciation by using the sum-of-the-years digits method for road equipment and the straight-line method for all other fixed assets.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	10
Office equipment	7
Computer equipment	5

**5. Capitalized Interest**

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The County did not capitalize interest on fixed assets in the current year.

**6. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Fund Balance Reserve**

The Fund Balance Reserve in the fund financial statements reflects an offset for inventories, prepaid expenses and restricted assets. Under the modified accrual basis of accounting, when inventories and prepaid expenses are reported in the financial statements, they are to be equally offset by a fund balance reserve account. This indicates that even though inventories and prepaid expenses are components of net current assets, they do not represent an "available spendable resource." The fund balance reserves for the various restricted assets indicate that these restricted assets, reported on the financial statements, are designated for a specific use and, therefore, are also not an "available spendable resource."

**F. Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**G. Joint Ventures**

C.C.E. Central Dispatch Authority (the "Authority") is a joint venture formed by, and on behalf of, participating municipalities located within the counties of Charlevoix, Cheboygan, and Emmet under the auspices of the Inter-Governmental Contracts Between Municipalities Act, urban Cooperation Act, and Emergency Telephone Service Enabling Act. Its purpose is to centralize the dispatch of emergency service responders in the three county area.

An agreement executed in July, 1993 established the Authority. Financial transactions commenced in September, 1993.

The Authority is governed by a nine member Board of Directors made up as follows:

Three county commissioners: one appointed from each county board of commissioners. Three city or village representatives: one selected from each county. Three township representatives: one selected from each county.

Under the term of the organizing agreement, each participating county is responsible for funding expenditures of the Authority based on a formula. Currently the formula requires that sixty percent of the Authority's expenditures be divided equally between the three participating counties. The remaining forty percent is divided based on telephone lines in each county. The agreement requires that this funding formula be reviewed every five years.

The County's actual contribution for 2004 was \$113,696.

The Authority is economically dependent on the participating counties to provide adequate funding for developing and operating the centralized dispatch service.

A joint venture for Regional Transportation for a six county area (Benzie, Grand Traverse, Leelanau, Kalkaska, Antrim and Charlevoix) began running routes on March 24, 1998. The Board of Directors is made up of the Executive Directors of the Benzie, BATA (Grand Traverse and Leelanau), Kalkaska, ACT (Antrim) Transit Authority's and Charlevoix County's Clerk/Fiscal officer.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Clerk. The Clerk totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to October 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

**B. Excess of expenditures over appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued**

**B. Excess of expenditures over appropriations - continued**

During the year ended December 31, 2004, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public safety	\$ 2,286,645	\$ 2,497,020	\$ 210,375
Revenue Sharing Reserve Fund:			
Health & Welfare	-0-	297,061	297,061

**C. Deficit fund equity**

The following funds have a deficit fund balance as of December 31, 2004:

State Survey and Remonumentation	\$19,085
Village of Boyne Falls Water System	\$16,307
2001 Construction Bond Fund	\$635,332

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS**

**A. Assets**

**1. Deposits and Investments**

At December 31, 2004, the carrying amount of the County's deposits were \$11,609,851 and the bank balance was \$12,315,103 of which \$500,000 was covered by federal depository insurance and \$11,815,103 was uninsured and uncollateralized. The County has \$26,575 in petty cash on hand.

**Investments**

The County's investments are categorized to give the indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered, or securities held by the County of the County's agent in the County's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the County's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty, or its trust department or its agent but not in the County's name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Investments	<u>\$ 5,369,622</u>	<u>\$</u>	<u>\$</u>	<u>\$ 5,369,622</u>

For purposes of the statement of cash flows, the County considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Grandvue Medical Care Facility

The Facility's deposits and investments at December 31, 2004 composed of the following:

	<u>Cash</u>	<u>Assets Limited As to Use (3)</u>
Cash:		
Petty Cash	\$ 400	\$
Deposits:		
County	(1)	1,145,111
Bank	(2) <u>647,757</u>	<u>435,536</u>
Total Cash	<u>\$ 648,157</u>	<u>\$ 1,580,647</u>

- (1) These funds were under the control of the County Treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.
- (2) These funds are administered by the County Treasurer and are held in separate accounts in the name of the Facility. The above deposits were reflected in the accounts of a bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$734,422 and \$1,466,237 at December 31, 2004 and 2003, respectively. The federal depository insurance pertains to all the deposits of the County; hence, the specific coverage pertaining to the Facility's deposits, if any, is not determinable.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**1. Deposits and Investments - Continued**

Grandvue Medical Care Facility

- (3) These assets are designated for the following uses:

By Board:	2004
For future Capital purchases	\$ 1,145,111
For future workers' compensation claims	385,550
For patient needs	49,986
Total	<u>\$ 1,580,647</u>

County Road Commission

Total Cash deposited at December 31, 2004 amounted to \$1,114,025, and was in savings or checking accounts at institutions insured by the federal government. Since the County's total deposits are in excess of \$100,000, all Road Commission deposits are presumed to be uninsured.

Northwest Michigan Community Health Agency

Northwest Michigan Community Health Agency's deposits at year-end had a carrying value of \$556,288 and a bank balance of \$646,451. Of the bank balance, \$201,199 was covered by Federal depository insurance and \$445,252 was uninsured and uncollateralized. At certain times during the year, peak cash flows cause increases in bank balances and the corresponding uninsured and uncollateralized portion thereof.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**1. Deposits and Investments - Continued**

Public Transit

All cash and investments are maintained by the County Treasurer in common cash and investment accounts, except as noted below.

Because of the use of common funds, the Public Transit's funds cannot be distinguished from other funds. The County Treasurer does allocate a portion of interest earned to each fund based upon its proportionate share of the cash balances that are invested. The County Treasurer had funds invested in institutions at September 30, 2004, which provided insurance in amounts in excess of funds held for Transit. Investments were made during the period by the County Treasurer in certificates of deposit, money market accounts and with investment trust funds.

For purposes of cash flows, the Public Transit considers all short-term debt securities purchased with a maturity of three months or less from the year-end to be cash equivalents.

**2. Property Taxes Receivable and Property Tax Calendar**

	<u>Mills</u>	<u>Adjusted Levy</u>	<u>Collections</u>	<u>Delinquent Real</u>	<u>Delinquent Personal</u>
County:					
General	4.4541	\$ 6,410,632	\$ 5,877,265	\$ 497,552	\$ 35,815
Medical Care Facility	.7360	1,059,196	970,566	82,284	6,346
Public Transit	.2369	340,843	312,463	26,476	1,904
Commission on Aging	.3790	548,852	503,240	42,345	3,267
Recycle Fund	.1420	205,561	188,555	15,865	1,141
Grandvue Bond	.5400	786,267	721,243	60,368	4,656

The above collections include tax collections of \$188,285, \$31,112, \$10,014, \$12,536, \$4,697 and \$13,657 captured through the Tax Increment Financing Authority from the General, County Medical Care Facility, Public Transit Funds, Commission on Aging and Recycling Fund, and Grandvue Bond Debt Service Fund, respectively. The 2004 and 2001 Taxable Valuation's were \$1,482,800,955 and \$1,388,565,630, respectively.

The levy may vary due to S.E.V. adjustments ordered by the Michigan Tax Tribunal and/or individual Board of Review adjustments.

Details of the Property tax calendar are as follows: Levy date -December 31st of the prior year; Lien date and due date - December 1st of each year; Collection date - December 1st through February 28th of the following year by local officials, turned delinquent on or about March 1st of each year - delinquent taxes are purchased and collected by the County Treasurer through the Tax Revolving Fund.

Property tax revenues are recognized in the fiscal year for which they have been levied and become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay current period liabilities. The current period referred to here is a period of time not exceeding 60 days.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**Taxes Receivable - Delinquent Tax Revolving Fund**

Recorded taxes receivable in the County's Delinquent Tax Revolving Fund consist of amounts due for the following tax levy years:

2003	\$ 800,914
2002	43,674
2001	2,772
2000	1,715
Other years	<u>1,820</u>
	<u>\$ 850,895</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets**

A summary of the changes in the capital assets of the primary government follows:

<b>Primary Government</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases/ Transfers</b>	<b>Balance 12/31/04</b>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 322,995	\$	\$	\$ 322,995
Construction in progress	2,829,601	1,174,007	1,590,239	2,413,369
Total capital assets not being depreciated	3,152,596	1,174,007	1,590,239	2,736,364
Capital assets, being depreciated				
Land improvements	350,394			350,394
Buildings & improvements	9,641,433			9,641,433
Machinery & equipment	3,716,196	630,188		4,346,384
Total capital assets being depreciated	13,708,023	630,188		14,338,211
Less accumulated depreciation for:				
Land improvements	147,920	13,931		161,851
Buildings & improvements	2,398,552	258,987		2,657,539
Machinery & equipment	2,799,956	303,999		3,103,955
Total accumulated depreciation	5,346,428	576,917		5,923,345
Total capital assets, being depreciated, net	8,361,595	53,271		8,414,866
Governmental activities capital assets, net	\$ 11,514,191	\$ 1,227,278	\$ 1,590,239	\$ 11,151,230

See Note 3 section #5 for detail of \$1,590,239 transfer.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

	Balance 01/01/04	Increases	Decreases	Balance 12/31/04
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 656,373	\$	\$	\$ 656,373
Machinery & equipment	970,999	352,866	45,933	1,277,932
Total capital assets being depreciated	1,627,372	352,866	45,933	1,934,305
Less accumulated depreciation for:				
Buildings & improvements	370,122	32,787		402,909
Machinery & equipment	584,501	164,861	45,880	703,482
Total accumulated depreciation	954,646	197,648	45,880	1,106,391
Business-type activities capital assets, net	<u>\$ 672,749</u>	<u>\$ 155,218</u>	<u>\$ 53</u>	<u>\$ 827,914</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 13,289
General government	177,648
Public Safety	249,678
Recreation and culture	2,628
Other	133,674
Total depreciation expense – governmental activities	<u>\$ 576,917</u>
Business-type activities:	
Public transit	<u>\$ 197,648</u>

**Construction Commitments** – The County has active construction projects at December 31, 2004. The projects include expansion of Grandvue Medical Care Facility and drinking water storage tank construction. At December 31, 2004 the County's commitments with contractors are as follows:

	Spent to date	Transferred Cost to GMCF	Remaining Commitment
Grandvue Medical Care Facility expansion	\$ 9,495,669	\$ 7,635,397	\$ 1,100,000
Drinking water storage tank construction	553,097		41,903
	<u>\$ 10,048,766</u>	<u>\$ 7,635,397</u>	<u>\$ 1,141,903</u>

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

**Discretely presented component units**

<b>Road Commission</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/04</b>
Capital assets, not being depreciated				
Land and improvements	\$ 82,574	\$	\$	\$ 82,574
Land and improvements, infrastructure	1,414,937	253,588		1,668,525
Total capital assets not being depreciated	1,497,511	253,588		1,751,099
Capital assets, being depreciated				
Buildings and improvements	1,541,451	13,198		1,554,649
Road equipment	3,781,590	301,377	39,350	4,043,617
Other equipment	216,486	4,200		220,686
Infrastructure and improvements	19,088,792	1,632,626		20,721,418
Total capital assets being depreciated	24,628,319	1,951,401	39,350	26,540,370
Less accumulated depreciation for:				
Buildings and improvements	420,130	51,593		471,723
Road equipment	2,933,433	329,096	39,350	3,223,179
Other equipment	159,257	15,358		174,615
Infrastructure and improvements	6,677,240	885,077		7,562,317
Total accumulated depreciation	10,190,060	1,281,124	39,350	11,431,834
Total capital assets, being depreciated, net	14,438,259	2,412,376		16,859,635
Total capital assets, net	\$ 15,935,770	\$ 923,865	\$	\$ 16,859,635
<b>Northwest Michigan Community Health Agency</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/04</b>
Capital assets				
Furniture and equipment	\$ 152,469	\$ 267,817	\$	\$ 420,286
Less accumulated depreciation	110,542	(69,024)		179,566
Total capital assets	\$ 41,927	\$ 198,793	\$	\$ 240,720

Depreciation expense was charged to the health services function for \$69,024.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued**

**A. Assets - Continued**

**3. Capital Assets - continued**

**Discretely presented component units - continued**

<b>Grandvue Medical Care Facility</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/04</b>
Capital assets, being depreciated				
Buildings & improvements	\$ 9,758,155	\$ 2,346,358	\$ 702,117	\$ 11,402,396
Machinery & equipment	1,423,563	121,103	47,840	1,496,826
Construction in progress	143,081		91,944	51,137
<b>Total capital assets being depreciated</b>	<b>11,324,799</b>	<b>2,467,461</b>	<b>841,901</b>	<b>12,950,359</b>
Less accumulated depreciation for:				
Buildings & improvements	1,705,009	287,886	512,860	1,480,035
Machinery & equipment	836,247	92,313	46,458	882,102
<b>Total accumulated depreciation</b>	<b>2,541,256</b>	<b>380,199</b>	<b>559,318</b>	<b>2,362,137</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 8,873,543</b>	<b>\$ 2,087,262</b>	<b>\$ 282,583</b>	<b>\$ 10,588,222</b>

**4. Interfund Transactions**

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

<b>Fund</b>	<b>Inter-fund/ Advances Receivable</b>	<b>Fund</b>	<b>Inter-fund Advances Payable</b>
General Fund	\$ 32,512	Commission on Aging	\$ 32,512
Friend of the Court fund	7,046	General fund	7,046
General Fund	297,061	Revenue Sharing Reserve	297,061
Community Corrections	96,794	Trust and Agency	96,794
	<b>\$ 433,413</b>		<b>\$ 433,413</b>

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS – Continued**

**4. Interfund Transactions - continued**

Interfund transfers:

	Transfer In		Total
	Other Governmental Funds	Component Unit - NMCHA	
Transfer Out:			
General fund	\$ 337,800	\$ 199,440	\$ 537,240
Enterprise fund – delinquent tax revolving	79,000		79,000
	<u>\$ 416,800</u>	<u>\$ 199,440</u>	<u>\$ 616,240</u>

Transfers in, Other Governmental Funds, is difference from the total by \$75,000, which is due to a timing difference in the general fund transferring funds to the child care fund, which is a September 30<sup>th</sup> year end fund.

**5. Equity Transfer to Grandvue Medical Care Facility**

In 2001, Grandvue Medical Care Facility began renovation and construction of a building addition, which would correct building deficiencies, create an Alzheimer unit, and add hospice and respite beds. The estimated cost of the project is approximately \$10,500,000 and will be completed in three phases. Costs which exceed the proceeds from the bond will be financed by the Facility. The County Capital Projects fund issued bonds totaling \$7,500,000. A millage has been approved to fund principal and interest payments. During construction the County Capital Projects fund is responsible for all the activities relating to the project including the approval of invoices. Upon completion of each phase of the project, Grandvue Medical Care Facility will record capitalized assets as a transfer from the County. The related debt will not transfer to the Facility.

In July 2003, the first phase of the renovation project was completed. A total of \$6,054,013 of construction costs were transferred from the County to the Facility and recorded as capital assets of the Facility. A total of \$1,590,239 of construction costs was transferred from the County to the Facility and recorded as capital assets of the Facility during 2004. During 2004, the County paid \$403,865 of additional construction costs for phases of the project not in service at December 31, 2004. The County has additional construction commitments related to the project of approximately \$1,100,000. The entire project was completed in April 2005. Capitalized interest totaled \$253,963 for 2004.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities**

**1. Long-Term Debt**

General obligation debts and other long-term obligations currently outstanding are as follows:

\$7,500,000 2001 Medical Care Facility, serial bonds payable in annual installments of \$150,000 to \$850,000 through May 1, 2016; interest at 4.25% to 5.50%	\$ 6,850,000
\$595,000 2004 Water Supply System, serial bonds payable in annual installments of \$15,000 to \$30,000 through October 1, 2033; interest at 2.50%	
** Not completely issued at December 31, 2004	<u>542,064</u>
Total bonded debt	7,392,064
Termination benefits	<u>308,270</u>
	<u><u>\$ 7,700,334</u></u>

The annual requirements to amortize long-term obligations outstanding as of December 31, 2004 including interest of \$2,355,124 are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 315,000	\$ 305,500	\$ 620,500
2006	365,000	290,500	655,500
2007	415,000	273,250	688,250
2008	440,000	254,312	694,312
2009	490,000	233,688	723,688
2010 - 2014	3,325,000	779,124	4,104,124
2015 - 2019	1,745,000	153,250	1,898,250
2020 - 2024	100,000	36,250	136,250
2025 - 2029	125,000	22,500	147,500
2030 - 2033	<u>105,000</u>	<u>6,750</u>	<u>111,750</u>
	7,425,000	2,355,124	9,780,124
Less unissued portion of bonds payable	(32,936)		(32,936)
Compensated absences	<u>308,270</u>		<u>308,270</u>
	<u><u>\$ 7,700,334</u></u>	<u><u>\$ 2,355,124</u></u>	<u><u>\$ 10,055,458</u></u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities**

**1. Long-Term Debt**

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental Activities:					
Bonds payable:					
Medical Care Facility	\$ 7,100,000	\$	\$ 250,000	\$ 6,850,000	\$ 250,000
Water Supply System	<u>403,837</u>	<u>153,227</u>	<u>15,000</u>	<u>542,064</u>	<u>15,000</u>
Total bonds payable	7,503,837	153,227	250,000	7,392,064	265,000
Other liabilities:					
Termination benefits	<u>328,484</u>		<u>20,214</u>	<u>308,270</u>	
Total long-term liabilities	<u>\$ 7,832,321</u>	<u>\$ 153,227</u>	<u>\$ 270,214</u>	<u>\$ 7,700,334</u>	<u>\$ 265,000</u>

The general long-term debt and other long-term obligations of Charlevoix County's two special revenue fund component units, and the changes therein, may be summarized as follows:

	<u>Balance 01/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
Compensated Absences:				
County Road Fund	\$ 41,062	\$ 2,001	\$	\$ 43,063
Northern Michigan Community Health Agy.	<u>400,626</u>	<u>14,957</u>		<u>415,583</u>
Total Long-Term Debt	<u>\$ 441,688</u>	<u>\$ 16,958</u>	<u>\$</u>	<u>\$ 458,646</u>

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS - Continued**

**B. Liabilities – Continued**

**2. Lease Commitments - Northwest Michigan Community Health Agency**

Northwest Michigan Community Health Agency Leases office facilities and certain office equipment. Expenditures incurred for space costs are as follows:

	<u>2004</u>
Minimum rentals	\$ 295,946
Repairs, maintenace and utilities	<u>181,094</u>
Totals	<u>\$ 477,040</u>

The following is a schedule, by years, of future minimum rental payments required under leases having remaining noncancelable lease terms in excess of one year as of December 31, 2004:

	<u>Lease Payments</u>	<u>Sub-lease Payments</u>	<u>Net Payable</u>
2005	\$ 459,321	\$ 117,589	\$ 341,732
2006	448,279	49,959	402,320
2007	455,587	15,719	439,868
2008	448,655	8,462	440,193
2009	446,354		446,354
2010 – 2014	1,929,531		1,929,531
2015 – 2019	1,321,170		1,321,170
2020 and thereafter	224,000		224,000

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: SEGMENT INFORMATION FOR THE ENTERPRISE FUND**

The County provides medical care and housing services to the elderly through the Grandvue Medical Care Facility Fund. Operating revenues are generated through private payments, Medicaid, or private insurance companies for services provided.

The County offers goods for purchase to the inmates of the county jail. Operating revenues were generated by charges for services.

The Delinquent tax revolving fund purchases delinquent taxes from the local taxing authorities and then seeks payment. The fund collects interest and penalties on the delinquent balance.

The County provides public transportation to the citizens throughout the County through the Public Transit Fund. For the year ended September 30, 2004, operating revenues were generated primarily through fares charged.

The Regional Transportation fund is not presented since the operations of the fund have been terminated and only miscellaneous receivables remain in the fund.

Segment information for the above Enterprise Funds for the year ended December 31, 2004 is as follows:

	<u>Component Unit</u>			
	<u>Grandvue Medical Care Facility</u>	<u>Commissary Inmate Trust</u>	<u>Delinquent Tax Revolving</u>	<u>Public Transit</u>
Operating revenues	\$ 7,007,618	\$	\$ 323,041	\$ 114,668
Depreciation	380,199			197,648
Operating income (loss)	(1,909,624)	(12,153)	323,041	(1,260,811)
Operating grants:				
State of Michigan				502,786
U.S. Dept. of Transportation				158,852
Tax revenues	1,068,081			342,999
Net income (loss)	(982,188)	(10,999)	284,842	(240,227)
Property, plant, and equipment				
Additions	178,538			352,867
Net working capital	169,226	86,941	5,441,748	618,894
Total assets	14,771,727	86,941	5,444,804	1,544,003
Total equity:				
Contributed capital				651,583
Retained earnings	12,338,095	86,941	5,441,748	1,446,808

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM**

COUNTY (primary government)

**A. Plan Description**

The County participates in the agent multiple-employer Michigan Municipal Employees Retirement System (the "system"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of service. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

**B. Annual Pension Cost**

For the year ended December 31, 2004, 2003 and 2002, the Agency's annual pension cost of \$609,050, \$467,510 and \$428,125, respectively, for the plan was equal to the Agency's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 1998, using the entry age normal actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 4.2% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

**C. Three Year Trend Information**

	Fiscal year ended December 31:		
	2004	2003	2002
Annual pension cost	\$ 609,050	\$ 467,510	\$ 428,125
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	13,138,407	10,034,849	7,089,627
Actuarial accrued liability	19,368,027	15,512,017	10,062,888
(Unfunded) / Overfunded AAL	(6,229,620)	(5,477,168)	(6,083,339)
Percent of funded AAL	47.42%	54.58%	70.45%
Covered payroll	7,611,696	6,338,355	5,982,181

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

**COUNTY ROAD COMMISSION**

**A. Plan Description**

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**B. Funding Policy**

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 10.38% of annual covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

**C. Annual Pension Cost**

For the year ended December 31, 2004, the Road Commission's annual pension cost of \$129,708 for MERS was equal to the Road Commission's required contributions. The Road Commission's actual contribution for 2004 was \$159,843. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The Road Commission's actuarial accrued liability is \$681,316 as of December 31, 2004, the date of the last actuary report.

**D. Three-year Trend Information**

	Fiscal year ended December 31:		
	2004	2003	2002
Annual Pension cost	\$ 129,708	\$ 110,628	\$ 97,349
Acturial value of assets	4,225,977	4,118,618	4,224,110
Acturial accrued liability	4,907,293	4,738,978	4,643,011
(Unfunded) / Overfunded AAL	(681,316)	(620,360)	(418,901)
Percent of funded AAL	86%	87%	91%
Covered payroll	1,308,565	1,271,667	1,194,643
UAAL as a % of covered payroll	52%	49%	35%

The Road Commission's actual contribution amount was computed under the Accelerated Funding Credits program adopted by MERS in 1984. The program allows municipalities with funded percentages of 110% or greater to make no contributions.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

The Agency participates on the agent multiple-employer Michigan Employees Retirement System (the "System"). Substantially, all employees meeting service requirements are covered by the plan, which provides retirement benefits based upon an employee's five-year final average compensation and credited years of services. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at MERS, 447 North Canal Road, Lansing, MI 48917 or by calling 1-517-622-4401.

**Annual Pension Cost**

For the year ended December 31, 2004, the Agency's annual pension cost of \$96,195 for the plan was equal to the Agency's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal funding method.

Significant actuarial assumptions used in valuation include (a) a rate of return on the investment of present and future assets of 8% a year compounded annually, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of up to 4.2% a year, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement for persons under certain benefit packages. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years, and adjusts to the effects of inflation on future benefits and future normal costs.

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY - Continued**

Three-year trend information for fiscal years ended December 31:

	Fiscal year ended December 31:		
	2004	2003	2002
Annual Pension cost	\$ 96,195	\$ 82,689	\$ 65,359
Acturial value of assets	3,395,860	3,221,817	3,208,877
Acturial accrued liability	4,077,328	3,699,756	3,462,081
(Unfunded) / Overfunded AAL	(681,468)	(477,939)	(253,204)
Percent of funded AAL	83%	87%	93%
Covered payroll	865,781	791,305	782,076
UAAL as a % of covered payroll	79%	60%	32%

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: EMPLOYEES RETIREMENT SYSTEM - Continued**

PUBLIC TRANSIT

**A. Plan Description**

The employees of the Public Transit are covered under the County's pension plan with the State of Michigan Municipal Employees Retirement System.

The County contributed 11.16 percent of covered gross payroll for 2004 which were included in the General Fund's pension cost.

Other pension information as required by GASB No. 5 is not available since the Public Transit employees are covered under the overall County pension plan.

GRANDVUE MEDICAL CARE FACILITY

As disclosed in Note 1, the Facility is a component unit of Charlevoix County. Charlevoix County, including the Facility, participates in the Michigan Municipal Employee Retirement System. Although an actuarial valuation is performed annually for Charlevoix County, specific data for the Facility is not available.

Disclosures required by Governmental Accounting Standards Board Statement No. 5 with respect to pension data have not been included in these financial statements.

The Facility contributed \$205,717 and \$173,649 to the plan for the years ended December 31, 2004 and 2003, respectively.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFERRED COMPENSATION PLAN**

County (Primary Government)

In 1991 the County offered its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability.

All amounts deferred under the plan, all investments purchased with those amounts, and all income attributable to those amounts are solely the property of the County, subject to the claims of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan but does have the duty of due care that would be required as a prudent investor. The County has paid the amounts deferred by employees to a plan administrator. Therefore, the assets are segregated and the County feels that is highly unlikely that the assets would be used to satisfy the claims of general creditors. The balances in the plan at December 31, 2004 and 2004 were \$2,823,341 and \$2,190,512, respectively.

**NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

The Agency offers their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**NOTE 7: COST ALLOCATION PLANS**

**A. COUNTY-WIDE COST ALLOCATION PLAN**

A County-wide cost allocation plan prepared by a consulting firm for the year ending December 31, 1996 was prepared in accordance with the policies and procedures contained in OMB Circular A-87. A consistent approach was followed in treating a given type of cost as direct or indirect and that in no case have costs charged as direct costs of Federally supported programs been included in the indirect costs reflected in the plan.

**NOTE 8: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2004 presentation.

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: CONTINGENT LIABILITIES**

The County Road Commission has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission. In the opinion of management, any such disallowed claims could have a material effect on any of the financial statements included herein or on the overall financial position of the Commission at December 31, 2004.

**NOTE 10: RISK MANAGEMENT**

Public Transit

During the year ended September 30, 1988, Charlevoix County Public Transit and eighteen other transportation authorities formed the Michigan Transit Pool (MTP). There are two insurance programs offered by MTP. Charlevoix County Public Transit participates in both the Direct Property Damage Program, which is a self-insured fund providing insurance coverage for physical damage and comprehensive losses to the Authority's fleet of vehicles, and the Michigan Transit Pool Liability Trust Fund providing general liability coverage.

The Direct Property Damage Program directly allocates losses incurred by a member between \$2,000 (the amount of the per-occurrence deduction) and \$10,000 (the risk-shared threshold). Risk shared losses include losses above the \$10,000 not covered by excess reinsurance. Risk shared losses will be allocated between all members participating in the collision and primary comprehensive coverage program based upon a member's average book value divided by total participating average book value, multiplied by the total amount of risk shared losses. The actual calculation of risk shared losses will extend beyond the fiscal year-end to encompass expenses incurred to close all claims for the policy period. In the event of excess losses, all pooled losses will first be paid out of initial deposits. Should losses exceed this amount, the contingency margin will be used to pay losses. In this event, all systems will be billed the amount necessary to replenish the contingency margin within thirty (30) days.

Each authority contributes to the Liability Trust Fund an annual premium which is determined on an actuarial method based upon the Authority's vehicle hours, vehicle miles and number of passengers for the preceding year. During the initial year of the pool, the Authority also contributed to the Contingency Reserve of the pool, which was intended to be a one time payment. Claims less than \$50,000 are deducted directly from the applicable Authority's premium deposit. Claims over \$50,000 are paid out of a pool in which all authorities participate. Each authority is credited with interest earned on its premium deposit and is charged for its share of claims as well as administrative expenses. If a refund or additional premium is due to/from the Authority, such adjustment will be made approximately six months after the pool's fiscal year-end of November 30.

County (Primary Government)

The County (primary government) is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance to cover these risks. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: RISK MANAGEMENT - continued**

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the Road Commission participated in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to SIP for its general insurance coverage. The SIP is self-sustaining through member premiums.

During 2004 the Road Commission also participated in the County Road Association Self Insurance Fund (MCRCSIF) for its workers' compensation benefits. The SIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums.

In the event of unusually high claims, both the SIP and the SIF have the authority to bill the member road commissions retroactively. The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident and life insurance.

Grandvue Medical Care Facility

The Grandvue Medical Care Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, as well as medical benefits provided to employees. The Facility has purchased commercial insurance to cover these risks. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is self insured for employee injuries (workers' compensation). The plan is covered by a stop-loss policy that covers individual claims over \$350,000 or total claims in excess of \$676,260 to a maximum of \$3,000,000.

Changes in the estimated liability for the year ended December 31, 2004 and 2004 were as follows:

	2004	2003
Estimated liability – beginning of year	\$ 31,000	\$ 31,000
Estimated claims incurred, including changes		
In estimates	(115,758)	(89,777)
Claim payments	115,758	89,777
Estimated liability – end of year	<u>\$ 31,000</u>	<u>\$ 31,000</u>

**CHARLEVOIX COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: RISK MANAGEMENT - Continued**

Northwest Michigan Community Health Agency

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability (except auto liability and vehicle physical damage).

The MMRA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund, which provides members with loss protection for general and property liability.

The Agency has joined with numerous other government agencies in Michigan as a participant in MMRMA's "State Pool." Members of the State Pool do not have individual self-insured retention amounts other than a \$250 deductible per occurrence of liability coverage and a \$250 deductible per occurrence of property coverage.

State Pool members' limits of coverage (per occurrence) are \$5 million for liability and as much as \$5 million for property. Flood and earthquake coverage limits are higher. If a covered loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the Agency.

The Agency carries commercial insurance for all other risks of loss including workers' compensation, liability and health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past fiscal years.

**NOTE 11: COMPARATIVE DATA**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 12: PRIOR PERIOD ADJUSTMENT - NORTHWEST MICHIGAN COMMUNITY  
HEALTH AGENCY**

In order to maintain the integrity of the current program year's revenue and expenditures, any collections or payments relating to prior programs are recorded in the prior year activity account. These items increased revenues by \$108,756 for the year ended December 31, 2004.

**NOTE 13: CONCENTRATIONS - NORTHWEST MICHIGAN COMMUNITY HEALTH AGENCY**

Approximately 71% of charges for services rendered revenue and 87% of the December 31, 2004 accounts receivable balance were derived from reimbursements for providing medical services to Medicare and Medicaid recipients. Changes in the healthcare financing systems are expected to have an effect on the Agency's future revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARLEVOIX COUNTY, MICHIGAN**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 6,858,416	\$ 6,858,416	\$ 6,620,764	\$ (237,652)
Licenses and permits	55,500	55,500	67,024	11,524
Federal grants			40,719	40,719
State grants	1,623,973	1,623,973	1,678,882	54,909
Contributions from local units	5,500	5,500	1,081	(4,419)
Charges for services	1,517,270	1,967,270	1,786,320	(180,950)
Fines and forfeits	10,000	10,000	6,448	(3,552)
Interest and rents	200,000	200,000	95,129	(104,871)
Other	79,481	79,481	40,592	(38,889)
TOTAL REVENUES	10,350,140	10,800,140	10,336,959	(463,181)
EXPENDITURES:				
Current:				
Legislative	152,400	242,600	235,479	7,121
Judicial	1,151,790	1,267,500	1,257,387	10,113
General government	1,804,579	2,139,032	2,090,099	48,933
Public safety	2,192,110	2,286,645	2,497,020	(210,375)
Health and welfare	128,102	126,302	125,334	968
Other	3,133,201	3,857,821	3,809,171	48,650
TOTAL EXPENDITURES	8,562,182	9,919,900	10,014,490	(94,590)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,787,958	880,240	322,469	(557,771)
OTHER FINANCING SOURCES (USES):				
Operating transfers in				
Operating transfers (out)	(1,447,541)	(537,240)	(537,240)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,447,541)	(537,240)	(537,240)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 340,417	\$ 343,000	(214,771)	\$ (557,771)
FUND BALANCE, beginning			2,969,268	
FUND BALANCE, ending			\$ 2,754,497	

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMMISSION ON AGING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 548,480	\$ 548,480	\$ 551,999	\$ 3,519
Federal grants	87,000	87,000	87,987	987
State grants	44,303	44,303	55,777	11,474
Charges for services	162,790	162,790	158,934	(3,856)
Interest and rents	10,000	10,000	24,756	14,756
Other			5,600	5,600
<b>TOTAL REVENUES</b>	<b>852,573</b>	<b>852,573</b>	<b>885,053</b>	<b>32,480</b>
EXPENDITURES:				
Current:				
Health and welfare	852,573	852,573	495,311	357,262
<b>TOTAL EXPENDITURES</b>	<b>852,573</b>	<b>852,573</b>	<b>495,311</b>	<b>357,262</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$</u>	<u>\$</u>	389,742	<u>\$ 389,742</u>
FUND BALANCE, beginning			1,133,935	
FUND BALANCE, ending			<u>\$ 1,523,677</u>	

**CHARLEVOIX COUNTY, MICHIGAN  
REVENUE SHARING RESERVE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$	\$	\$ 2,318,056	\$ 2,318,056
EXPENDITURES:				
Current:				
Other			297,061	(297,061)
TOTAL EXPENDITURES			297,061	(297,061)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$	\$	2,020,995	\$ 2,020,995
FUND BALANCE, beginning				
FUND BALANCE, ending			\$ 2,020,995	

**SUPPLEMENTARY DATA SECTION**

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	Special Revenue Funds	Capital Projects Funds	Total
<b>ASSETS</b>			
Cash	\$ 2,293,301	\$ 83,779	\$ 2,377,080
Accounts receivable			
Taxes receivable			
Due from other funds	103,840		103,840
Due from State	121,293		121,293
Due from other governmental units	223		223
Prepaid expenses	6,897		6,897
Amount to be provided for accounts payable	45,000		45,000
<b>TOTAL ASSETS</b>	<u><u>\$ 2,570,554</u></u>	<u><u>\$ 83,779</u></u>	<u><u>\$ 2,654,333</u></u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 121,477	\$ 657,552	\$ 779,029
Accrued expenses	16,529		16,529
Other accrued expenses		800	800
Due to other governmental funds			
Long-term advances from State			
Deferred revenue	45,000		45,000
<b>TOTAL LIABILITIES</b>	<u>183,006</u>	<u>658,352</u>	<u>841,358</u>
Fund Balance:			
Reserved	555,550	77,066	632,616
Unreserved	1,831,998	(651,639)	1,180,359
<b>TOTAL FUND BALANCE</b>	<u>2,387,548</u>	<u>(574,573)</u>	<u>1,812,975</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u><u>\$ 2,570,554</u></u>	<u><u>\$ 83,779</u></u>	<u><u>\$ 2,654,333</u></u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds	Capital Projects Funds	Total
REVENUES:			
Taxes	\$ 206,781	\$	\$ 206,781
License and permits	667,078		667,078
Federal grants	28,618		28,618
State grants	996,353		996,353
Charges for services	275,970		275,970
Fines & forfeits	5,407		5,407
Interest & rents	20,892	13,141	34,033
Other	690,010		690,010
	<u>2,891,109</u>	<u>13,141</u>	<u>2,904,250</u>
TOTAL REVENUES			
EXPENDITURES:			
Judicial	560,142		560,142
General government	454,336		454,336
Public safety	1,351,919		1,351,919
Health & welfare	387,250		387,250
Recreational & cultural	94,803		94,803
Other	504,203	1,248,777	1,752,980
	<u>3,352,653</u>	<u>1,248,777</u>	<u>4,601,430</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(451,544)</u>	<u>(1,235,636)</u>	<u>(1,697,180)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	262,800	79,000	341,800
Bond proceeds		153,227	153,227
	<u>262,800</u>	<u>232,227</u>	<u>495,027</u>
TOTAL OTHER FINANCING SOURCES			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(198,744)	(1,003,409)	(1,202,153)
EQUITY TRANSFER	71,474		71,474
FUND BALANCE, beginning	<u>2,514,818</u>	<u>428,836</u>	<u>2,943,654</u>
FUND BALANCE, ending	<u>\$ 2,387,548</u>	<u>\$ (574,573)</u>	<u>\$ 1,812,975</u>

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

	State Survey and Remenu- menation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve- ment	Building Department	Unemploy- ment	Register of Deeds Automation Fund
<b>ASSETS</b>									
Cash	\$	\$ 17,908	\$ 68,876	\$ 235,267	\$ 34,449	\$ 559,390	\$ 161,198	\$ 107,814	\$ 87,598
Accounts receivable									
Due from other funds			7,046						
Due from State			312						
Due from other governmental units									
Prepaid expenses		377					6,520		
Amount to be provided for accounts payable									
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 18,285</b>	<b>\$ 76,234</b>	<b>\$ 235,267</b>	<b>\$ 34,449</b>	<b>\$ 559,390</b>	<b>\$ 167,718</b>	<b>\$ 107,814</b>	<b>\$ 87,598</b>
<b>LIABILITIES &amp; FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 19,085	\$ 244	\$	\$ 893	\$	\$ 53,486	\$ 5,064	\$	\$ 7,248
Accrued expenses		1,093					15,436		
Due to other governmental funds									
Deferred revenue									
<b>TOTAL LIABILITIES</b>	<b>19,085</b>	<b>1,337</b>		<b>893</b>		<b>53,486</b>	<b>20,500</b>		<b>7,248</b>
<b>Fund Balance:</b>									
Reserved									
Unreserved	(19,085)	16,948	76,234	234,374	34,449	262,490	147,218	107,814	80,356
<b>TOTAL FUND BALANCE</b>	<b>(19,085)</b>	<b>16,948</b>	<b>76,234</b>	<b>234,374</b>	<b>34,449</b>	<b>505,904</b>	<b>147,218</b>	<b>107,814</b>	<b>80,356</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$</b>	<b>\$ 18,285</b>	<b>\$ 76,234</b>	<b>\$ 235,267</b>	<b>\$ 34,449</b>	<b>\$ 559,390</b>	<b>\$ 167,718</b>	<b>\$ 107,814</b>	<b>\$ 87,598</b>

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2004**

	Sheriff ATV Project	911 Fund	D.A.R.E	Tracking Dog	Drug Law Enforcement	Law Library	Housing Program	Transportation Authority	Recovery High Project
<b>ASSETS</b>									
Cash	\$ 2,439	\$ 352,017	\$ 2,844	\$ 181	\$ 14,154	\$ 6,458	\$ 28,477	\$ 10,323	\$ 128,654
Accounts receivable									
Due from other funds									
Due from State									
Due from other governmental units									
Prepaid expenses									
Amount to be provided									
for accounts payable									
<b>TOTAL ASSETS</b>	<u>\$ 2,439</u>	<u>\$ 352,017</u>	<u>\$ 2,844</u>	<u>\$ 181</u>	<u>\$ 14,154</u>	<u>\$ 6,458</u>	<u>\$ 28,477</u>	<u>\$ 10,323</u>	<u>\$ 128,877</u>
<b>LIABILITIES &amp; FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$	\$	\$	\$ 176	\$	\$ 162	\$	\$ 108	\$
Accrued expenses									
Due to other governmental funds									
Deferred revenue									
<b>TOTAL LIABILITIES</b>				<u>176</u>		<u>162</u>		<u>108</u>	
<b>Fund Balance:</b>									
Reserved		293,060							
Unreserved	<u>2,439</u>	<u>58,957</u>	<u>2,844</u>	<u>\$</u>	<u>14,154</u>	<u>6,296</u>	<u>28,477</u>	<u>10,215</u>	<u>128,877</u>
<b>TOTAL FUND BALANCE</b>	<u>2,439</u>	<u>352,017</u>	<u>2,844</u>	<u>\$</u>	<u>14,154</u>	<u>6,296</u>	<u>28,477</u>	<u>10,215</u>	<u>128,877</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 2,439</u>	<u>\$ 352,017</u>	<u>\$ 2,844</u>	<u>\$ 181</u>	<u>\$ 14,154</u>	<u>\$ 6,458</u>	<u>\$ 28,477</u>	<u>\$ 10,323</u>	<u>\$ 128,877</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2004**

ASSETS	Probate Grants	Gaming Fund	Emmet County		Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare	Child Care/ Child Care Sub Account	Veterans Trust
			FIA							
Cash	\$ 6,692	\$ 7,000	\$ 19,968	\$ 573	\$ 1,257	\$ 3,599	\$ 215,230	\$ 213,306	\$ 2,002	
Accounts receivable										
Due from other funds										
Due from State	1,891				96,794					
Due from other governmental units					22,093		28,768	63,069		
Prepaid expenses										
Amount to be provided for accounts payable										
TOTAL ASSETS	\$ 8,583	\$ 7,000	\$ 19,968	\$ 573	\$ 120,144	\$ 3,599	\$ 288,998	\$ 276,375	\$ 2,002	
<u>LIABILITIES &amp; FUND BALANCE</u>										
Liabilities:										
Accounts payable	\$	\$	\$ 611	\$	\$ 1,262	\$	\$ 28,768	\$	\$	
Accrued expenses										
Due to other governmental funds										
Deferred revenue										
TOTAL LIABILITIES										
Fund Balance:										
Reserved										
Unreserved	8,583	7,000	19,357	573	118,882	3,599	215,230	276,375	2,002	
TOTAL FUND BALANCE	8,583	7,000	19,357	573	118,882	3,599	215,230	276,375	2,002	
TOTAL LIABILITIES & FUND BALANCE	\$ 8,583	\$ 7,000	\$ 19,968	\$ 573	\$ 120,144	\$ 3,599	\$ 288,998	\$ 276,375	\$ 2,002	

**CHARLEVOIX COUNTY, MICHIGAN  
COMBINING BALANCE SHEETS  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

	GHS Grants	Detention	Total 2004
<b>ASSETS</b>			
Cash	\$ 5,627	\$	\$ 2,293,301
Accounts receivable			
Due from other funds			103,840
Due from State		5,160	121,293
Due from other governmental units			223
Prepaid expenses			6,897
Amount to be provided for accounts payable			45,000
<b>TOTAL ASSETS</b>	<b>\$ 5,627</b>	<b>\$ 5,160</b>	<b>\$ 2,570,554</b>

**LIABILITIES & FUND BALANCE**

<b>Liabilities:</b>			
Accounts payable	\$	4,370	\$ 121,477
Accrued expenses			16,529
Due to other governmental funds			
Deferred revenue			45,000
<b>TOTAL LIABILITIES</b>		<b>4,370</b>	<b>183,006</b>
<b>Fund Balance:</b>			
Reserved			555,550
Unreserved	5,627	790	1,831,998
<b>TOTAL FUND BALANCE</b>	<b>5,627</b>	<b>790</b>	<b>2,387,548</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 5,627</b>	<b>\$ 5,160</b>	<b>\$ 2,570,554</b>

CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	State Survey and Remonu - Mentation	Whiting Park	Friend of the Court	Recycling Fund	Economic Development	Public Improve - Ment	Building Department	Unemploy - Ment	Register of Deeds Automation Fund
REVENUES:									
Taxes	\$	\$	\$	\$ 206,781	\$	\$	\$	\$	\$
License and permits							667,078		
Federal grants			7,560						
Slate grants	28,207		12,401	31					83,205
Charges for services		29,881							
Fines & forfeits			901	3,423	438	8,250	1,649	1,257	856
Interest & rents			434					16,969	
Other			21,296	210,235	438	8,250	668,727	18,226	84,061
TOTAL REVENUES	28,207	29,881							
EXPENDITURES:									
Judicial			17,228						
General government	66,314					344,763	735,397		43,259
Public safety									
Health & welfare									
Recreational & cultural		94,803						15,965	
Other		94,803	17,228	191,849		14,215		15,965	43,259
TOTAL EXPENDITURES	66,314	94,803		191,849		358,978	735,397		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,107)	(64,922)	4,068	18,386	438	(350,728)	(66,670)	2,261	40,802
OTHER FINANCING SOURCES (USES):									
Operating transfers in	16,000								
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES	16,000								
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(22,107)	(64,922)	4,068	18,386	438	(350,728)	(66,670)	2,261	40,802
FUND BALANCE, beginning	3,022	81,870	72,166	215,988	34,011	856,632	213,888	105,553	39,548
FUND BALANCE, ending	\$ (19,085)	\$ 16,948	\$ 76,234	\$ 234,374	\$ 34,449	\$ 505,904	\$ 147,218	\$ 107,814	\$ 80,350

CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Sheriff ATV Project	911 Fund	D.A.R.E.	Tracking Dog	Drug Law Enforcement	Law Library	Housing Program	Transport- ation Authority	Recovery High Program
REVENUES:									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
License and permits									
Federal grants									
Slate grants									
Charges for services									
Fines & forfeits									
Interest & rents									
Other	30		30	10	5,407			150,452	409,387
	500	296,803	4,529	220	149	92	259	250	1,799
TOTAL REVENUES	530	296,803	4,559	230	5,556	92	7,191	150,702	411,186
EXPENDITURES:									
Judicial									
General government						1,446			439,216
Public safety					890				
Health & welfare									
Recreational & cultural			3,944	1,634					
Other									
		113,696						168,478	
TOTAL EXPENDITURES		113,696	3,944	1,634	890	1,446		168,478	439,216
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES									
	530	183,107	615	(1,404)	4,666	(1,354)	7,450	(17,776)	(28,030)
OTHER FINANCING SOURCES (USES):									
Operating transfers in									
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES									
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES									
	530	183,107	615	(1,404)	4,666	(1,354)	7,450	(17,776)	(28,030)
FUND BALANCE, beginning	1,909	168,910	2,229	1,409	9,488	7,650	21,027	27,991	156,907
FUND BALANCE, ending	2,439	352,017	2,844	5	14,154	6,296	28,477	10,215	128,877

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Probate Grants	Gaming Fund	Emmet County FIA	Emmet County Care Sub	Community Corrections	Michigan Justice Training	Social Welfare	Child Care / Child Care Sub Account	Veterans Trust
REVENUES:									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
License and permits									
Federal grants	21,058								
State grants		7,000			60,312	3,837	236,666	249,647	1,297
Charges for services									
Fines & forfeits									
Interest & rents			124				1,375		
Other			14,000		107,546		15,391	132,880	
TOTAL REVENUES	21,058	7,000	14,124		167,858	3,837	253,432	382,527	1,297
EXPENDITURES:									
Judicial	12,475								
General government									
Public safety						4,258		605,500	296
Health & welfare			6,903		129,799		250,548		
Recreational & cultural									
Other									
TOTAL EXPENDITURES	12,475		6,903		129,799	4,258	250,548	605,500	296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,583	7,000	7,221		38,059	(421)	2,884	(222,973)	1,001
OTHER FINANCING SOURCES (USES):									
Operating transfers in					10,000		11,800	225,000	
Operating transfers (out)									
TOTAL OTHER FINANCING SOURCES					10,000		11,800	225,000	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,583	7,000	7,221		48,059	(421)	14,684	2,027	1,001
EQUITY TRANSFER					71,474				
FUND BALANCE, beginning			12,136	573	(651)	4,020	290,546	274,348	1,001
FUND BALANCE, ending	\$ 8,583	\$ 7,000	\$ 19,357	\$ 573	\$ 118,882	\$ 3,599	\$ 215,230	\$ 276,375	\$ 2,002

CHARLEVOIX COUNTY, MICHIGAN  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	GIS	Detention	2004
	Grants		
REVENUES:			
Taxes	\$	\$	\$ 206,781
License and permits			667,078
Federal grants			28,618
State grants			996,353
Charges for services			275,970
Fines & forfeits			5,407
Interest & rents			20,892
Other	51,267	42,280	690,010
TOTAL REVENUES	51,267	42,280	2,891,109
EXPENDITURES:			
Judicial	45,640	44,137	560,142
General government			454,336
Public safety			1,351,919
Health & welfare			387,250
Recreational & cultural			94,803
Other			504,203
TOTAL EXPENDITURES	45,640	44,137	3,352,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,627	(1,857)	(461,544)
OTHER FINANCING SOURCES (USES):			
Operating transfers in			262,800
Operating transfers (out)			
TOTAL OTHER FINANCING SOURCES			262,800
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,627	(1,857)	(198,744)
EQUITY TRANSFER			71,474
FUND BALANCE, beginning		2,647	2,514,818
FUND BALANCE, ending	\$ 5,627	\$ 790	\$ 2,387,548

## DECEMBER 31, 2004

TOTAL LIABILITIES AND FUND BALANCE

**CHARLEVOIX COUNTY, MICHIGAN**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON MAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Equipment Fund	Building Renovation Fund	Village of Boyne Falls Water System	2001 Construction Bond Fund	Totals
					2004
REVENUES:					
Interest on investments	\$ 620	\$	\$ 1,436	\$ 11,085	\$ 13,141
Other					
TOTAL REVENUES	620		1,436	11,085	13,141
EXPENDITURES:					
Capital outlay	42,010	10,540	149,124	1,024,883	1,226,557
Debt service – principal and interest			22,220		22,220
	42,010	10,540	171,344	1,024,883	1,248,777
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,390)	(10,540)	(169,908)	(1,013,798)	(1,235,636)
OTHER FINANCING SOURCES:					
Transfer In	79,000		153,227		79,000
Bond proceeds					153,227
TOTAL OTHER FINANCING SOURCES	79,000		153,227		232,227
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	37,610	(10,540)	(16,681)	(1,013,798)	(1,003,409)
FUND BALANCE, beginning of year	1,371	48,625	374	378,466	428,836
FUND BALANCE, end of year	\$ 38,981	\$ 38,085	\$ (16,307)	\$ (635,332)	\$ (574,573)

CHARLEVOIX COUNTY, MICHIGAN

CHARLEVOIX COUNTY MICHIGAN

CHARLEVOIX COUNTY, MICHIGAN

	<u>District Court Trust Fund</u>					
	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004	<u>Totals</u>	
					Additions	Deductions
				Balance December 31, 2004		
Cash	\$ 48,963	\$ 1,083,783	\$ 1,100,256	\$ 32,490	\$ 42,227,015	\$ 42,505,658
Investments					7,566,468	7,066,468
Due from other funds					11,947	11,947
TOTAL ASSETS	\$ 48,963	\$ 1,083,783	\$ 1,100,256	\$ 32,490	\$ 49,805,430	\$ 49,584,073
						\$ 1,878,042
<u>LIABILITIES</u>						
Accounts payable	\$	\$	\$		\$ 16,566,926	\$ 16,566,255
Due to other funds					144,444	42,552
Due to State					11,771,131	11,685,002
Due to other government units:						
Due to cities						
Due to library					7,078	7,126
Due to schools					332	332
Due to townships					3,672,390	3,633,834
Due to Federal government					40,802	40,802
Other liabilities	48,963	\$ 1,083,783	\$ 1,100,256	\$ 32,490	5,580,971	5,489,864
					12,021,356	12,118,306
TOTAL LIABILITIES	\$ 48,963	\$ 1,083,783	\$ 1,100,256	\$ 32,490	\$ 49,805,430	\$ 49,584,073
						\$ 1,878,042

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2001 DEBT**  
**DECEMBER 31, 2004**

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2005				
2006	4.5%	\$ 300,000	\$ 290,625	\$ 590,625
2007	4.5%	350,000	276,000	626,000
2008	4.5%	400,000	259,125	659,125
2009	4.5%	425,000	240,562	665,562
2010 – 2014	4.5%	475,000	220,313	695,313
2015 – 2016	Various	3,250,000	717,874	3,967,874
	Various	<u>1,650,000</u>	<u>104,125</u>	<u>1,754,125</u>
		<u>\$ 6,850,000</u>	<u>\$ 2,108,624</u>	<u>\$ 8,958,624</u>

Principal payments due on first day of

May

Interest payments due on the first day of

May and November

Original issue – October 1, 2001

\$7,500,000

Purpose

Renovation and new construction to correct for building deficiencies, create a new Alzheimer Unit and add hospice and respite beds and the Grandvue Medical Care Facility.

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2003 DEBT**  
**DECEMBER 31, 2004**

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending December 31:				
2005				
2006	2.5%	\$ 15,000	\$ 14,875	\$ 29,875
2007	2.5%	15,000	14,500	29,500
2008	2.5%	15,000	14,125	29,125
2009	2.5%	15,000	13,750	28,750
2010 – 2014	2.5%	15,000	13,375	28,375
2015 – 2019	2.5%	75,000	61,250	136,250
2020 – 2024	2.5%	95,000	49,125	144,125
2025 – 2029	2.5%	100,000	36,250	136,250
2030 – 2033	2.5%	125,000	22,500	147,500
		<u>105,000</u>	<u>6,750</u>	<u>111,750</u>
		<u>\$ 575,000</u>	<u>\$ 246,500</u>	<u>\$ 821,500</u>

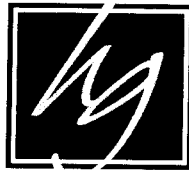
Principal payments due on first day of                      October

Interest payments due on the first day of                      April and October

Original issue – June 26, 2003                      \$595,000

Purpose

Construction of drinking water reservoir and water main extension. Upgrades at Well No. 4 and Well No. 5, and purchase of generator for standby power.



# HARRIS GROUP

Certified Public Accountants

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Charlevoix County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated September 7, 2005. We did not audit the financial statements of the Northwest Michigan Community Health Agency, component unit, which represent 7.3% of the total assets and 28.9% of the total revenues of the discretely presented component unit. Those financial statement were audited by other auditors whose report were furnished to us, and our opinion, in so far as it relates to the amounts included for that entity, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Charlevoix County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Charlevoix County in a separate letter dated September 7, 2005.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charlevoix County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Charlevoix County in a separate letter dated September 7, 2005.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*HARRIS GROUP*

Certified Public Accountants

Traverse City, MI

September 7, 2005



# HARRIS GROUP

Certified Public Accountants

**Report on Compliance with Requirements Applicable to each  
Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Honorable Chairman and Members  
of the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

**Compliance**

We have audited the compliance of Charlevoix County ("the County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2004. The County's major Federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major Federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Charlevoix County's financial statements include the operations of the Northwest Michigan Community Health Agency, which received \$1,616,016 in federal awards, which is not included in the schedule for the year ended December 31, 2004. Our audit described below, did not include the operations of the Northwest Michigan Community Health Agency because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Charlevoix County complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended December 31, 2004.

### Internal Control Over Compliance

The management of Charlevoix County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HARRIS Group

Traverse City, MI  
September 7, 2005

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>General Fund:</u>			
U.S. Department of Justice, passed through the Michigan Department of Management and Budget Anti-Drug Abuse Act (SANE)	16.579	70868-5K03 70868-604-B	\$ 61,959 15,755
U.S. Department of Social Services, passed through the Michigan Department of Social Services Child Support Enforcement: Title IV-D Reimbursement Contracts	93.563 93.563	FOC PA	330,012 62,106
Assistance Programs: Title IV-D Incentive Payment	93.560		33,114
U.S. Department of Homeland Security, passed through The Michigan State Police Click-it or ticket	20.604		408
2004 State Homeland Security Assessment and Strategy	97.004		40,719
Emergency Performance Grant	97.042		22,306
TOTAL GENERAL FUND			<u>566,379</u>
<u>Commission on Aging Fund:</u>			
U.S. Department of Health and Human Services Title IIIB	93.633	2004	18,546
Title IIIC1	93.635	2004	30,500
Title IIIC2	93.635	2004	38,941
Total Commission on Aging			<u>87,987</u>

**CHARLEVOIX COUNTY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(Continued)**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>Friend of the Court Fund:</u>			
U.S. Department of Social Services, passed through the Michigan Department of Social Services Child Support Enforcement: Title IV-D Reimbursement Contracts	93.563	FOC	7,560
<u>Probate Grant Fund:</u>			
Family Independence Agency JAIBG	16.154	15001-1N98	5,314
	16.154	15001-1N98	15,744
			21,058
<u>Village of Boyne Falls Construction Fund</u>			
U.S. Department of Environmental Quality, passed through the Michigan Department of Environmental Quality State/Drinking Water Revolving Fund Loan	66.468	785,837	102,853
<u>Public Transit Fund:</u>			
U.S. Department of Transportation, passed through the Michigan Department of Transportation Public Transportation for Non-Urbanized Areas Operating Assistance Section 18 Capital Grant	20.509		134,407
	20.500		260,492
			394,899
TOTAL FEDERAL FINANCIAL ASSISTANCE (PRIMARY GOVERNMENT)			\$ 1,180,736

**CHARLEVOIX COUNTY, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTES (PRIMARY GOVERNMENT):

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of Charlevoix County, Michigan and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Title IV-D, CFDA #93.563 was audited as a major program, representing 33.21% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Charlevoix County, Michigan was determined to be a low risk auditee.

CHARLEVOIX COUNTY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2004  
PRIMARY GOVERNMENT

Section I – Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs:

*Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)  
93.563

Name of Federal Program  
Title IV-D

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II – Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

Prior year findings:

None



# HARRIS GROUP

Certified Public Accountants

September 7, 2005

To the Board of Commissioners  
Charlevoix County  
Charlevoix, Michigan

In planning and performing our audit of the financial statements of Charlevoix County for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Charlevoix County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

## Bank Reconciliations

Bank reconciliations were not prepared during the year. They were completed subsequent to the year end. Bank reconciliations need to be completed monthly in order to balance to the general ledger. We have worked with the County Treasurer to insure that these are being completed in a more timely manner.


## Public Act 621, Budgeting

The County has complied with the spirit of P.A. 621, Budgeting, but has expended more than the budgeted amount in certain categories. The County may amend budgets throughout the year for any unforeseen expenditures. There was no budget adopted for the Revenue Sharing Reserve Fund. The County is required to adopt a budget for all funds.

## Federal Grant Awards

The County is beginning to get numerous federal grants. The County needs to implement a better tracking system of Federal receipts and expenditures. During the audit we spend a considerable amount of time tracking down Federal revenue and comparing them to the proper expenditures. We recommend a filing system that encompasses a file for each grant along with copies of receipts and records of expenditures. This is done at a basic level, but does not necessarily include all departments of the County.

We appreciate the assistance and cooperation we received from the accounting staff during our audit. This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants